2482

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2012

P&N Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2012

TABLE OF CONTENTS

P&N Postlethwaite & Netterville

A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
www pncpa com

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

The Board of Commissioners of the
Port of New Orleans

We have audited the accompanying statements of net assets of the Board of Commissioners of the Port of New Orleans (the Port) as of June 30, 2012 and 2011 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of the Port. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control over financial reporting Accordingly, we express no such opinion An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port as of June 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued a report dated October 3, 2012 on our consideration of the Port's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit

30th Floor - Energy Centre • 1100 Poydras Street • New Orleans, LA 70163-3000 • Tel 504 569 2978
One Galleria Blvd, Suite 2100 • Metairie, LA 70001 • Tel 504 837 5990 • Fax 504 834 3609

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11 and the Schedules of Funding Progress on page 50 and 51 be presented to supplement the basic financial statements Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during out audit of the basic financial statements We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Postlethwaite & Netterville

Metairie, Louisiana
October 3, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Board of Commissioners of the Port of New Orleans (Board) annual financial report presents a discussion and analysis of the Board's financial performance for the Fiscal Year ended June 30, 2012. Please read it in conjunction with the Board's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Board's financial performance for Fiscal Year 2012 is highlighted by stronger operating revenue generation for the second year in a row. Operating expense increased as well for Fiscal Year 2012 This combination produced an increase of net operating income of $12 2 million before depreciation or $2 0 million higher than Fiscal Year 2011. This is reflective of the slowly recovering U S and world economy and the continuing improvement in container volumes for the Port along with continued growth in cruise revenue. The Board's net assets increased $48 3 million resulting primarily from capital revenue from state and federal sources offset by an operating loss In comparison, Fiscal Year 2011 had an increase of $19 0 million in net assets as the operating loss and non-operating expenses were offset by capital contributions from state and federal programs as well as the forgiveness of the Community Disaster Loan (CDL) by the Federal Emergency Management Agency (FEMA)

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of four parts management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements and reports on compliance and internal control over financial reporting and federal programs

The Board's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Net Assets All assets and liabilities associated with the operation of the Board are included in the Statements of Net Assets

The financial statements provide both long and short-term information about the Board's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data

FINANCIAL ANALYSIS

Net Assets

The Board's total assets at June 30, 2012, are $743 6 million This represents an increase of $62 6 million or 9 2 percent from the prior year Total liabilities are $158 5 million for an increase of $14 3 million or 9 9 percent and total net assets are $585 1 million for an increase of approximately $48 3 million or 9 0 percent The comparison of Fiscal Year 2011 to 2010 indicated an increase for 2011 of $14 3 million in total assets and an increase of $19.0 million in net assets (See Table 1)

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The item, "Invested in capital assets, net of related debt," consists of capital assets net of accumulated depreciation and reduced by the amount of outstanding indebtedness (offset by the debt related to unspent bond proceeds) attributable to the acquisition, construction, or improvement of those assets

Table 1
Net Assets
(in thousands of dollars)

	2012	2011	Percentage Change	2010
Current assets	$ 86,268	$ 78,442	10 0%	$ 94,302
Restricted assets	42,920	27,378	56 8%	27,824
Property (net)	611,280	572,073	6 9%	541,824
Other assets	3,134	3,129	0 2%	2,767
Total assets	743,602	681,022	9 2%	666,717
Current liabilities	15,869	17,325	-8 4%	13,261
Non-current liabilities	142,612	126,886	12 4%	135,649
Total liabilities	158,481	144,211	9 9%	148,910
Net assets:				
Invested in capital assets, net of related debt	487,306	463,497	5 1%	432,010
Restricted	42,920	27,378	56 8%	27,735
Unrestricted	54,895	45,937	19 5%	58,062
Total net assets	585,121	536,812	9 0%	517,807
Total liabilities and net assets	$ 743,602	$ 681,023	9 2%	$ 666,717

Current assets increased as government accounts receivable were significantly higher and trade receivables increased as well These increases were somewhat reduced as cash and investments were used to fund the strong capital improvement program Non-current assets increased for two main reasons First, restricted assets increased as the refunding of the Board's Revenue Bond Issue 2002 spanned the year end causing $15 0 million of bond proceeds to be held in restricted assets at June 30, 2012. The 2002 Issue was refunded on July 6, 2012 Second, the expenditures for the capital improvement program resulted in a net property increase of $39 2 million

Current liabilities decreased $1 5 million when compared to Fiscal Year 2011, as construction accruals for accounts payable in Fiscal Year 2011 were significantly higher than in Fiscal Year 2012 This decrease was offset by increases in Fiscal Year 2012 in current bonds payable, unearned income, pension liability and construction contract retention payable

Non-current liabilities increased $15 7 million mainly due to the liability for the refunding of the 2002 Bond Issue as mentioned above.

In Fiscal Year 2011 as compared to Fiscal Year 2010, current assets decreased as cash and investments accumulated in prior years, mainly from significant insurance proceeds, were used to fund the capital improvement program. The expenditures for the capital improvement program resulted in a net property increase of $30.2 million.

Further, current liabilities for Fiscal Year 2011 increased $4 1 million when compared to Fiscal Year 2010, as accounts payable increased as a result of significant accruals for increased construction in progress. Other liabilities increased with higher construction contract retention liability for ongoing construction contracts Non-current liabilities decreased $8 7 million mainly due to the forgiveness of the CDL

Restricted funds totaling $20 8 million result from an agreement entered into by the Board with the U S Army Corps of Engineers (USACOE) for the redevelopment of an existing lock connecting the Mississippi River to the Inner-Harbor Navigation Canal (IHNC) The Board agreed to fund a portion of the construction project as it relates to providing deep-draft access The USACOE made payments to the Board for acquiring certain Board property needed to expand the existing lock. Such funds are to be held in an escrow account by the Board until such time as they are needed to pay for the deep-draft portion of the construction project.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2
Changes in Net Assets
(in thousands of dollars)

	2012	2011	Percentage Change	2010
Operating Revenues.	$	$		$
Terminal operations	35,104	32,856	6.8%	29,949
Cruise and tourism	9,399	6,837	37.5%	5,837
Real estate	4,005	3,711	7.9%	3,680
Total operating revenues	48,508	43,404	11.8%	39,466
Operating Expenses				
Operating Expenses	36,355	33,294	9.2%	32,096
Depreciation	21,009	19,639	7.0%	19,634
Total operating expenses	57,364	52,933	8.4%	51,730
Operating loss	(8,856)	(9,529)	7.1%	(12,264)
Non-operating revenues/(expenses), net				
Investment income	421	362	16.3%	534
Interest expense	(5,521)	(5,122)	7.8%	(5,593)
Federal non-capital grants	-	108	-100.0%	144
Hurricane gain (loss)	(867)	1,668	-152.0%	130
Gain (loss) on sale of assets	567	738	-23.3%	1,282
Loss on asset impairment	-	-		(785)
Forgiveness of debt	-	8,473	-100.0%	-
Demolition costs	(1,592)	(1,812)	-12.1%	(472)
Miscellaneous – net	(693)	(256)	170.7%	(304)
Income (loss) before contributions	(16,541)	(5,370)	208.0%	(17,328)
Capital revenue from state and federal programs	64,850	24,375	166.1%	18,901
Change in net assets	48,309	19,005	154.2%	1,573
Total net assets, beginning of year	536,812	517,807	3.7%	516,234
Total net assets, end of year	$ 585,121	$ 536,812	9.0%	$ 517,807

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Assets

The change in net assets for the year ended June 30, 2012, when compared to the change in net assets for the year ended June 30, 2011, is an increase of $29 3 million or 154 2 percent. The Board's total operating revenues increased $5 1 million or 11 8 percent. This increase is due to the higher volumes of containerized and breakbulk cargo, two successive years of tariff increases and an increase in ocean-going cruise passengers. The increase in passengers is mainly due to Carnival Cruise Line adding a second year -round vessel and Royal Caribbean Line returning to the Port with a seasonal vessel. Total operating expenses increased $4 4 million or 8.4 percent. The increase was mainly due to higher payroll and fringe benefits from additional positions and higher retirement benefit cost, fuel and utilities cost, travel and promotional expense and depreciation. The changes in net assets are detailed in Table 2 and operating expenses are detailed in Table 3

In Fiscal Year 2011 versus Fiscal Year 2010 change in net assets increased $17 4 million or 1,108 2 percent. The Board's total operating revenues increased $3 9 million or 9 9 percent. This increase is due to the higher volumes of containerized cargo along with an increase in ocean-going cruise passengers from an additional three months of sailing by Norwegian Cruise Line. Total operating expenses increased $1.2 million or 2.3 percent.

In the area of non-operating revenue and expense, Fiscal Year 2012 was lower by $11 2 million or 208 0 percent This was mainly due to the aforementioned forgiveness of the CDL debt in Fiscal Year 2011 and the recording of a hurricane loss in Fiscal Year 2012 as opposed to a net gain in 2011

The non-operating revenue and expense comparison of Fiscal Year 2011 to Fiscal Year 2010 indicates a $4.2 million gain for 2011 versus a $5 1 million loss for Fiscal Year 2010 The most significant difference is again the forgiveness of the CDL by FEMA in Fiscal Year 2011

Capital contributions were higher by $40 5 million in Fiscal Year 2012 versus Fiscal Year 2011 with significant increases due to the construction of a cold storage facility, two new cranes and higher collections of FEMA funds due to the rebuilding from Hurricane Katrina.

Capital revenue from state and federal sources was somewhat higher by $5.5 million in Fiscal Year 2011 over 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 3
Operating Expenses
(in thousands of dollars)

	2012	2011	Percentage Change	2010
Labor and fringe benefits	$ 24,565	$ 22,253	10 4%	$ 20,945
Fuel and utilities	2,684	2,354	14 0%	2,188
Supplies	342	289	18.3%	218
Maintenance agreements	419	436	-3 9%	502
Purchased services	149	113	31 9%	93
Rent – real estate and equipment	309	453	-31.8%	322
Contract labor services	769	809	-4 9%	800
Travel, promotion and advertising	1,076	794	35 5%	567
Electronic data service subscription	102	101	1 0%	137
Training	38	25	52 0%	23
Professional fees	959	925	3 7%	970
Maintenance	2,282	2,102	8 6%	1,145
Property insurance	4,638	4,796	-3.3%	5,090
Workers' compensation	275	275	0 0%	1,431
Security fee reimbursement	(664)	(454)	46 3%	(501)
Other	220	201	9 5%	188
Depreciation	21,009	19,639	7 0%	19,634
Less capitalized labor	(1,808)	(2,178)	-17 0%	(2,022)
Total operating expenses	$ 57,364	$ 52,933	8 4%	$ 51,730

In the fiscal year 2010 time frame, the Board severely cut back on operating expenses due to an anticipated decrease in revenue. In Fiscal Year 2011 the Board began to return to normal operations and increased spending. Some specific discretionary expenses were increased further in Fiscal Year 2012 The total increase in operating expense when comparing Fiscal Year 2012 to Fiscal Year 2011 is approximately $4 4 million or 8 4 percent. The major categories of increases were labor and fringe benefits, fuel and utilities, travel and promotional related expenses, maintenance and depreciation Significant areas of reduction were insurance, rent, and an increase in security fee reimbursements causing a reduction in operating expense

Labor and fringe benefits increased in 2012 by $2.3 million or 10 4 percent. Salaries were higher by $698,000. Overtime increased by $291,000 as crane operations had more hours due to higher volumes and cruise operations had more overtime due to the addition of a second cruise terminal with no increase in staff in Fiscal Year 2012 The rest of the payroll increases were due to additional positions and a number of optional pay salary increases. In fringe benefits, contributions for the State LASERS retirement program increased as well as the Harbor Police Department pension program resulting in a $1.4 million increase in Fiscal Year 2012 The reinstatement of the deferred compensation program added another $263,000 to fringe benefits for Fiscal Year 2012

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Labor and fringe benefits increased in 2011 $1 3 million or 6.2 percent. Salaries were higher by $797,000 as a 2010 hiring freeze was lifted in Fiscal Year 2011 and more positions were added. Further, merit increases were not allowed in Fiscal Year 2010, but were reinstated in Fiscal Year 2011. In fringe benefits, contributions for the State LASERS retirement program increased as well as the Harbor Police Department pension program resulting in a $386,000 increase in Fiscal Year 2011 Increases in health care insurance premiums account for another $490,000 in Fiscal Year 2011 over Fiscal Year 2010.

Fuel and utilities increased in 2012 approximately $330,000. Fuel increased by $148,000 with higher rates and water increased $85,000 with higher water vessel service due to a greater number of vessels calling the Port in Fiscal Year 2012 than Fiscal Year 2011 There were also increases in electricity and telephone expense for a total of $92,000.

Fuel and utilities increased in 2011 approximately $166,000 versus Fiscal Year 2010 Fuel increased by $160,000 with higher volumes of use and higher rates and water increased $98,000 with higher water vessel service due to a greater number of vessels calls These increases were offset by lower electricity costs, as one of the cranes was out of service for over two months, and lower telephone expenses

Travel, advertising and promotion increased $282,000 in Fiscal Year 2012 when compared to Fiscal Year 2011 Promotion increased $202,000 as the Board sponsored a number of events. The most significant of the events, accounting for most of the increase in cost, was the promotion of the Port's new agreement with Mediterranean Shipping Company which designated the Port as the lines hub for the Gulf. The Board also increased its advertising, in both the cargo and cruise areas by $62,000 and additional travel expense for promotional purposes increased by $9,000

In Fiscal Year 2011 the travel and promotion budget was increased over the previous fiscal year resulting in higher costs for travel by $142,000, promotion by $40,000 and advertising by $43,000
Maintenance and repair of facilities was higher in Fiscal Year 2012 as compared to Fiscal Year 2011 by $180,000 or 8 6 percent as the Port continued with maintenance projects that were deferred in prior years

Maintenance and repair of facilities significantly increased in Fiscal Year 2011 resulting in related cost increases of $957,000 or 83 6 percent versus Fiscal Year 2010.

Depreciation increased $1 4 million in Fiscal Year 2012 as a number of major capital projects were placed in service during Fiscal Year 2012, including a new dredge, major improvements to the Alabo cargo facility and a wireless radio system Depreciation for Fiscal Year 2010 was almost equal to that of Fiscal Year 2011

Rent decreased by $144,000 when compared to Fiscal Year 2011 as the agreement with the Maritime Administration for the Board's lease of the Poland Avenue facility was renegotiated and a reduction of rent was agreed upon

Property insurance again decreased In Fiscal Year 2012 insurance premiums decreased $158,000 or 3.3 percent versus 2011 as rates continued to ease with the passage of time from the devastation of major storms, hurricanes Katrina and Rita. This was the fourth year in a row that rates decreased

Property insurance decreased in Fiscal Year 2011 versus 2010 for the same reason as above. Although Workers' compensation was flat when comparing Fiscal Year 2012 to Fiscal Year 2011, there was a decrease of $1.2 million, Fiscal Year 2011 versus Fiscal Year 2010. Claims reserve was increased in 2009 due to the death of a former Board employee, allegedly from asbestosis. The claim was settled in Fiscal Year 2010 and additional expense was incurred due to a higher settlement value than was previously reserved

With the increase in cargo volumes and tariff rates, the fees the Port and terminal operators charge customers for security related expenses increase by $210,000 or 46 3 percent in Fiscal Year 2012. This is a reduction to the security operating expense.

In Fiscal Year 2011 the security fee reimbursement increased $47,000 over Fiscal Year 2010 due to the same set of factors that produced the increase in Fiscal Year 2012.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2012, the Board had invested $611.3 million in capital assets net of accumulated depreciation. As compared to the prior year, this amount represents an increase (including additions and disposals) of $39.2 million. Property increased during 2011 when compared to 2010 with the addition of a net $30.2 million of capital assets.

Debt Administration

The Board has made its regularly scheduled payments on its Port Facility Revenue Bonds, Series 2001, Series 2002, Series 2003, Series 2005, Series 2008, Series 2010 and Series 2011. Total bond debt payments for the Fiscal Year 2012 was $4 6 million.

Under the terms of its capital leases for the container cranes and for computer equipment, the Board made lease payments of approximately $1.1 million including principal and interest.
All bond debt and lease covenants have been met.

The Board commenced payments in Fiscal Year 2012 on the $14 4 million of debt assistance provided by the State of Louisiana under the Gulf Opportunity Zone Act of 2005.

Additional detailed information relating to capital assets and debt administration is presented in the financial statements and notes number 4, "Property, Net" and 5, "Non-Current Liabilities"

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS

With the continued U S. economic recovery during Fiscal Year 2011, the Port had a record year in revenue. Despite concerns of a slowing of the economy during Fiscal Year 2012, the Port surpassed the previous record of Fiscal Year 2011. The main reason for the increases was continued container tonnage growth and additional cruise capacity. A significant factor in the container growth over the past few years, has been the commitment, in Fiscal Year 2011, of Mediterranean Shipping Company (MSC) to add volumes to the New Orleans call. This growth is expected to continue as New Orleans Terminals, a cooperative endeavor corporation joining MSC and Ceres Container Terminals, signed a ten year terminal operating contract with the Port toward the end of Fiscal Year 2011.

Specifically, related to volumes, Port container tonnage increased 125,000 tons or 3.1 percent when comparing Fiscal Year 2011. Breakbulk in Fiscal Year 2012 had a second year of increased tonnage after a number of years of decline Breakbulk increased 272,000 tons or 11.0 percent as total Board-owned facilities increased 397,000 or 6.1 percent for general cargo tonnage in Fiscal Year 2012. In comparison, Fiscal Year 2011 general cargo tonnage increased 620,000 or 10.5 percent over Fiscal Year 2010. Further, in Fiscal Year 2011 as well as Fiscal Year 2012, the Board increased fees charged for dockage, harbor dues and container crane rental by an overall 10 0 percent and 7.5 percent respectively, assisting with revenue increases and stability.

The cruise business sector continued to grow as well in Fiscal Year 2012. Carnival Cruise Line began a second service with an additional vessel sailing on a year-round basis which commenced in November 2011. Royal Caribbean Cruise Line returned to the Port as well sailing the largest vessel to ever call the Port of New Orleans on a seasonal basis, which also commenced in November of 2011

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide our bondholders, patrons, and other interested parties with a general overview of the Board's finances and to demonstrate the Board's accountability for the funds received. If you have any questions about this report or need additional financial information, contact the Board at (504) 528-3346

FINANCIAL STATEMENTS

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 26,186,485	$ 33,708,324
Investments	21,988,557	26,972,159
Accounts receivable, less allowance for doubtful accounts of $965,622 and $1,089,418 at June 30, 2012 and 2011, respectively	6 683.662	4,446,660
Due from other governments	21,782,366	6,881,640
Stores inventory	5,485,273	2,762,033
Prepaid items	4,141,284	3,671,507
Total current assets	86,267,627	78,442,323
NON-CURRENT ASSETS		
Restricted cash, cash equivalents, and investments:		
Revenue bond covenant accounts	22,137,434	6,812,571
Deep draft lock escrow	20,782,795	20,564,956
Total restricted assets	42,920,229	27,377,527
Property - net	611,280,239	572,073,416
Other assets	3,133,809	3,129,386
Total non-current assets	657,334,277	602,580,329
TOTAL ASSETS	743,601,904	681,022,652
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	5,800,194	10,085,588
Revenue bonds payable - current	325,000	325,000
Debt service assistance program loan payable - current	683,947	-
Accrued interest payable	1,344,107	1,070,339
Capital leases payable - current	969,820	467,181
Unearned income	2,031,326	1,517,844
Other liabilities	4,714,880	3,858,886
Total current liabilities	15,869,274	17,324,838

(Continued)

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

STATEMENTS OF NET ASSETS - CONTINUED
JUNE 30, 2012 AND 2011

	2012	2011
LIABILITIES (continued)		
NON-CURRENT LIABILITIES		
Revenue bonds payable	119,996,478	104,380,704
Debt service assistance program loan payable	13,681,732	14,365,679
Capital leases payable	2,683,370	3,403,605
Net pension obligation	2,658,112	1,773,694
Post-employment benefit obligation	1,889,518	1,579,370
Compensated absences payable	1,702,613	1,383,199
Total non-current liabilities	142,611,823	126,886,251
TOTAL LIABILITIES	158,481,097	144,211,089
NET ASSETS		
NET ASSETS		
Invested in capital assets, net of related debt	487,305,571	463,496,926
Restricted for revenue bond debt service	22,137,434	6,812,571
Restricted for deep draft lock	20,782,795	20,564,956
Unrestricted	54,895,007	45,937,110
TOTAL NET ASSETS	$ 585,120,807	$ 536,811,563

The accompanying notes are an integral part of these statements

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
OPERATING REVENUES		
Terminal operations		
Dockage	$ 9,212,107	$ 7,298,001
Rentals	18,500,158	18,733,300
Harbor fees	1,737,378	1,511,317
Container cranes	4,078,451	3,849,517
Other	1,576,394	1,464,166
	35,104,488	32,856,301
Cruise and tourism	9,398,610	6,836,854
Real estate rentals	4,005,140	3,711,339
Total operating revenues	48,508,238	43,404,494
OPERATING EXPENSES		
Operations services		
Port development	9,575,778	8,995,317
Port operations	12,817,976	11,681,366
Cruise and tourism	2,438,669	2,066,189
Marketing	2,185,038	2,166,652
Total operations services	27,017,461	24,909,524
Management services		
Finance and information services	2,175,661	2,013,543
Administration Services	2,115,218	2,027,084
Legal and risk	1,489,312	1,357,898
Business development	636,749	510,381
Total management services	6,416,940	5,908,906

(Continued)

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - CONTINUED YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Other operating		
Executive	2,645,656	2,199,629
Workers' compensation and self insured claims	274,874	275,416
Total other operating	2,920,530	2,475,045
Depreciation	21,009,386	19,639,047
Total operating expenses	57,364,317	52,932,522
OPERATING LOSS	(8,856,079)	(9,528,028)
NON-OPERATING REVENUES (EXPENSES)		
Investment income	420,625	362,132
Interest expense	(5,520,713)	(5,122,492)
Federal noncapital grants	-	108,309
Hurricane gain (loss)	(867,406)	1,667,874
Gain on disposal of assets	567,517	738,125
Demolition costs	(1,591,669)	(1,812,457)
Forgiveness of debt	-	8,472,789
Miscellaneous - net	(692,847)	(256,837)
Total non-operating revenues (expenses)	(7,684,493)	4,157,443
LOSS BEFORE CONTRIBUTIONS	(16,540,572)	(5,370,585)
CAPITAL CONTRIBUTIONS	64,849,816	24,375,189
CHANGE IN NET ASSETS	48,309,244	19,004,604
NET ASSETS, BEGINNING OF YEAR	536,811,563	517,806,959
NET ASSETS, END OF YEAR	$ 585,120,807	$ 536,811,563

The accompanying notes are an integral part of these statements.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	$ 46,525,484	$ 44,229,869
Payments to suppliers	(20,672,978)	(6,765,429)
Payments to employees	(15,451,711)	(15,460,604)
Payments of benefits on behalf of employees	(6,304,345)	(6,634,852)
Net cash provided by operating activities	4,096,450	15,368,984
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Noncapital contributions from other governments	-	108,309
Net cash provided by noncapital financing activities	-	108,309
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Expenditures for acquisition and construction of capital assets	(58,406,109)	(49,078,300)
Proceeds from sales of capital assets	829,598	1,000,206
Capital contributions from other governments	49,949,090	29,537,080
Proceeds from refinancing of bonds	15,495,000	32,832,078
Repayments of principal borrowed to finance acquisition and construction of capital assets	(976,251)	(34,354,625)
Interest paid on amounts to finance acquisition and construction of capital assets	(4,919,543)	(5,146,820)
Payments for bond issuance costs	(277,244)	(333,529)
Demolition costs and other	(2,300,130)	(2,084,908)
Hurricane (costs) proceeds	(867,406)	1,667,874
Net cash used in capital and related financing activities	(1,472,995)	(25,960,944)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(13,237,449)	(13,076,799)
Proceeds from sales and maturities of investments	18,003,212	1,619,333
Investment income received	413,806	487,090
Net cash provided by (used in) investing activities	5,179,569	(10,970,376)

(Continued)

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,803,024	(21,454,027)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	40,520,895	61,974,922
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 48,323,919	$ 40,520,895
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$ (8,856,079)	$ (9,528,028)
Adjustments to reconcile loss from operations to net cash provided by operating activities		
Depreciation	21,009,386	19,639,047
Changes in assets and liabilities relating to operating activities		
Accounts and insurance receivable	(2,214,569)	1,150,016
Stores inventories	(2,723,240)	(268,914)
Prepaid items	(469,777)	157,136
Other assets	(281,667)	(314,167)
Accounts payable	(4,285,394)	3,479,460
Unearned income	513,482	(10,474)
Other liabilities	(4,672)	64,902
Net pension obligation	884,418	685,976
Post-employment benefit obligation	310,148	337,551
Compensated absences payable	214,414	(23,521)
Net cash provided by operating activities	$ 4,096,450	$ 15,368,984
RECONCILIATION TO STATEMENTS OF NET ASSETS:		
Cash and cash equivalents for cash flow statements include		
Cash and cash equivalents	26,186,485	33,708,324
Restricted assets		
Restricted for revenue bond debt service	22,137,434	6,812,571
Total cash and cash equivalents	$ 48,323,919	$ 40,520,895
SUPPLEMENTAL DISCLOSURE OF NON-CASH FLOW INFORMATION:		
Noncash capital acquisitions by lease	$ 738,267	$ 146,000
Noncash forgiveness of Community Disaster Loan	$ -	$ 8,472,789
Noncash increase (decrease) in fair value of investments	$ (82,432)	$ 45,534

The accompanying notes are an integral part of these statements

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Board of Commissioners of the Port of New Orleans (the Port) is an independent political subdivision of the State of Louisiana, which is authorized by Louisiana Revised Statutes 34.1-47 The Port is governed by a Board of Commissioners (the Board) consisting of seven members appointed by the Governor The Board has all the powers and privileges granted to it by the constitution and statutes of the State of Louisiana including, but not limited to, the authority to incur debt, to issue bonds, to construct and maintain wharves and landings, and to charge fees for the use of the wharves and other facilities administered by the Port

The Port prepares its financial statements in accordance with standards issued by the Governmental Accounting Standards Board (GASB)

The Port is reported as a stand-alone entity as defined by GASB Statement No 14, *The Financial Reporting Entity* The Port is neither fiscally dependent on any other local government nor does it provide specific financial benefits to or impose specific financial burdens on any other government. No other potential component units meet the criteria for inclusion in the financial statements of the Port.

Measurement Focus, Basis Accounting and Financial Statement Presentation

The accounting policies of the Port conform to accounting principles generally accepted in the United States of America as applicable to governments The government–wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting Revenues are recorded when earned and expenses, excluding depreciation and amortization, are recorded when a liability is incurred, regardless of the timing of the related cash flows Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The Port's accounts are organized into a single proprietary fund The Port's operations are financed and operated in a manner similar to private business enterprises The intent of the governing body is that the costs (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges Operating revenues and expenses are distinguished from non-operating items Operating revenues and expenses generally result from leasing properties or providing services Operating expenses include the cost of providing services, administrative services and depreciation on capital assets All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses

When both restricted and unrestricted resources are available for use, it is the Port's policy to use restricted resources first, then unrestricted resources as they are needed

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis Accounting and Financial Statement Presentation (continued)

Under the provisions of GASB Statement 20, *Accounting and Financial Reporting for Proprietary Fund Accounting,* the Port applies all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict or contradict GASB pronouncements

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period Actual results could differ from those estimates

Investments

Investments of the Port, substantially all of which have original maturities of two years or less, are recorded at fair value. Fair value is based on quoted market prices

Stores Inventory

The inventory of the Port consists of expendable materials, supplies and fuel and is valued at the lower of average cost or market.

Restricted Assets

Under an agreement with the Corps of Engineers (Corps) the proceeds of land sales to the Corps in 2002 and 2003 have been put into an escrow fund to be used to pay the Port's share of a deep draft lock on the Inner Harbor Navigation Canal Gains on the sales of land of approximately $10,100,000 and $5,600,000 were recognized for the years ended June 30, 2003 and 2002 respectively. Interest income related to these restricted assets was $169,951 and $81,531 for the years ended June 30, 2012 and 2011, respectively.

Certain proceeds of the Port's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because they are maintained in separate investment accounts and their use is limited by applicable bond requirements

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Depreciation

The Port capitalizes assets that have an individual cost of $500 or more and an estimated useful life in excess of one year Property constructed or acquired by purchase is stated at cost. Donated property is stated at the estimated fair value on the date received.

Depreciation of property and amortization of capital lease assets is computed using the straight-line method over the following estimated useful lives

Wharves and sheds	30 – 50 years
Roadways and drainage	20 years
Marshalling areas	15 years
Buildings	15 – 40 years
Machinery and equipment	3 – 40 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital asset and improvements are capitalized as projects are constructed The Port's policy is to capitalize construction period interest, if any For fixed assets purchased with externally restricted debt, capitalized interest is the difference between interest expense and interest earnings on invested proceeds of the debt The capitalization period begins with the date of borrowing and ends when the asset is put into service

Debt and Amortization

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method Bonds payable are reported net of the applicable bond premium or discount Issuance costs are included in other non-current assets

Unearned Income

Operating revenues include rental income derived from leasing Port-owned properties Amounts due from certain lease agreements are billed in advance and recognition of the related revenue is deferred and recognized over the appropriate lease term

Compensated Absences

Employees accumulate vacation and sick leave at varying rates according to years of service Upon termination, unused vacation not to exceed 300 hours is paid to the employee at the employee's current rate of pay At retirement, unused vacation in excess of 300 hours and unused sick leave is considered in computing the years of service for retirement benefit purposes

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of Cash Flows

For purposes of the statement of cash flows, cash and cash equivalents consist of demand deposits with banks, overnight repurchase agreements, and money market mutual funds

2. CASH AND INVESTMENTS

The Port's cash and investments consist primarily of deposits with financial institutions and investments in direct obligations of the United States Treasury or agencies thereof.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Under state law, all deposits are secured by federal depository insurance or the pledge of securities held by the pledging banks agent in the Port's name At June 30, 2012 and 2011, the carrying amount of the Port's deposits (demand deposits and certificates of deposit) was \$27,131,631 and \$43,787,050 and the related bank balances were \$28,318,671 and \$36,294,422, respectively. Of the bank balances, \$750,005 and \$1,000,000 were covered by federal depository insurance and \$27,568,666 and \$35,294,422 were covered by collateral held by the pledging banks' trust department or agent in the Port's name at June 30, 2012 and 2011, respectively

Investments

The Port may invest idle funds as authorized by Louisiana Statutes and the Port's investment policy as follows

(a) United States bonds, treasury notes, certificates, or any other federally insured investment

(b) Time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana.

(c) Debt instruments issued by the state of Louisiana or any of its political subdivisions with a rating of at least BBB- or higher by Standard and Poor and the final maturity can be no more than three years.

(d) Bonds, debentures, notes or other indebtedness issued by a state of the United States of America other than Louisiana or any such state's political subdivisions with a minimum rating A- or higher by Standard and Poor and the final maturity can be no more than three years.

2. CASH AND INVESTMENTS (continued)

Investments (continued)

(e) Top Tier A1/P1 rated Commercial Paper

(f) Security Repurchase Agreements

(g) Mutual or trust funds, which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940 and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies

The Port invests monies with the Louisiana Asset Management Pool (LAMP). LAMP is a nonprofit corporation organized under the laws of the State of Louisiana formed by an initiative of the State Treasurer in 1993 While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investments policies are similar to those established by Rule 2-a7, which governs registered money market funds The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments LAMP's portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U S. Treasury, the U S government or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average of portfolio maturity of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days. The fair market value of investments is determined weekly to monitor any variances between amortized cost and market value For purposes of determining participants' share, investments are valued at amortized cost LAMP is designed to be highly liquid to provide immediate access to participants.

Cash and investments were included in the balance sheet as of June 30 as follows

	2012	2011
Cash and cash equivalents	$ 26,186,485	$ 33,708,324
Investments – current assets	21,988,557	26,972,159
Restricted assets	42,920,229	27,377,527
	$ 91,095,271	$ 88,058,010

NOTES TO FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (continued)

Investments (continued)

Included in cash and investments at June 30, were the following:

	2012	2011
U S Treasury	$ 6,871,029	$ 20,564,956
U S. Government Agency obligations	35,365,948	24,966,687
Money market mutual funds	4,338,986	6,812,571
LAMP	2,007,960	2,005,472
Deposits		
Brokerage Cash Account	15,324,863	-
Certificates of deposit	1,000,000	1,000,000
Demand deposit with banks	26,186,485	32,708,324
Total cash and investments	$ 91,095,271	$ 88,058,010

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Port has a formal investment policy that targets investment maturities equal to or less than three years as a means of managing its exposure to fair value losses arising from increasing interest rates. In addition, approximately 40% of the Port's portfolio shall be one year or less for liquidity reasons and interest rate volatility risk.

As of June 30, 2012, the Port had the following investments and maturities

		Remaining Maturity (in Years)	
	Fair Value	Less Than One	1 – 5
U S. Treasury Notes	$ 6,871,029	$ 6,871,029	$ -
Certificates of Deposit	1,000,000	1,000,000	-
U.S Government Agencies	35,365,948	21,486,254	13,879,694
Total	$ 43,236,977	$ 29,357,283	$ 13,879,694

As of June 30, 2011, the Port had the following investments and maturities

		Remaining Maturity (in Years)	
	Fair Value	Less Than One	1 – 5
U.S Treasury Notes	$ 20,564,956	$ 5,263,087	$ 15,301,869
U S Government Agencies	24,966,687	-	24,966,687
Total	$ 45,531,643	$ 5,263,087	$ 40,268,556

NOTES TO FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (continued)

Credit Risk

State law limits investments to instruments as described under "Investments" for the purpose of safety of principal. The Port's investment policy does not further limit its investment choices LAMP has been rated AAA by Standard & Poor's Corporation. The Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank Consolidated Bonds and the Federal Farm Credit Banks are all rated AA+ by Standard & Poor's Corporation The money market mutual funds and the Brokerage Cash Account are unrated accounts

3. DUE FROM OTHER GOVERNMENTS

Due from other governments consists of 1) state funds from the Louisiana Department of Transportation and Development for facility planning and control projects, flood control projects and port priority projects and 2) federal funds receivable from the Federal Emergency Management Agency (FEMA) At June 30, 2012 and 2011, amounts due are as follows

	2012	2011
Louisiana Department of Transportation and Development	$ 8,365,146	$ 5,606,100
U S. Department of Homeland Security	13,417,220	1,275,540
Total	$ 21,782,366	$ 6,881,640

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. PROPERTY, NET

A summary of changes in property is as follows:

	July 1, 2011	Additions	Deletions	June 30, 2012
Property not being depreciated.				
Land and improvements	$ 72,771,517	$ -	$ (19,645)	$ 72,751,872
Construction in progress	86,036,292	25,571,379	(41,286,699)	70,320,972
Total property not being depreciated	158,807,809	25,571,379	(41,306,344)	143,072,844
Property being depreciated				
Property (wharves, buildings, etc)	723,810,437	69,840,884	-	793,651,321
Furniture and fixtures	8,783,411	3,690,196	(212,521)	12,261,086
Equipment	23,701,768	2,521,135	(1,997,316)	24,225,587
Total property being depreciated	756,295,616	76,052,215	(2,209,837)	830,137,994
Less accumulated depreciation				
Property	(325,967,402)	(19,132,287)	-	(345,099,689)
Furniture and fixtures	(7,367,946)	(955,938)	212,277	(8,111,607)
Equipment	(9,694,661)	(921,161)	1,896,519	(8,719,303)
Total accumulated depreciation	(343,030,009)	(21,009,386)	2,108,796	(361,930,599)
Total property being depreciated, net	413,265,607	55,042,829	(101,041)	468,207,395
Property, net	$ 572,073,416	$ 80,614,208	$ (41,407,385)	$ 611 280,239

NOTES TO FINANCIAL STATEMENTS

4. PROPERTY, NET (continued)

A summary of changes in property is as follows.

	July 1, 2010	Additions	Deletions	June 30, 2011
Property not being depreciated				
Land and improvements	$ 72,824,611	$ -	$ (53,094)	$ 72,771,517
Construction in progress	53,668,051	50,883,728	(18,515,487)	86,036,292
Total property not being depreciated	126,492,662	50,883,728	(18,568,581)	158,807,809
Property being depreciated				
Property (wharves, buildings, etc)	714,849,606	8,960,831	-	723,810,437
Furniture and fixtures	8,754,259	368,382	(339,230)	8,783,411
Equipment	15,575,169	9,407,506	(1,280,907)	23,701,768
Total property being depreciated	739,179,034	18,736,719	(1,620,137)	756,295,616
Less accumulated depreciation				
Property	(307,370,235)	(18,597,167)	-	(325,967,402)
Furniture and fixtures	(7,163,943)	(369,368)	165,365	(7,367,946)
Equipment	(9,312,849)	(687,263)	305,451	(9,694,661)
Total accumulated depreciation	(323,847,027)	(19,653,798)	470,816	(343,030,009)
Total property being depreciated, net	*415,332,007*	*(917,079)*	*(1,149,321)*	*413,265,607*
Property, net	$ 541,824,669	$ 49,966,649	$ (19,717,902)	$ 572,073,416

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. PROPERTY, NET (continued)

Construction in progress consists of the following at June 30, 2012 and 2011:

	2012	2011
Hurricane Katrina Damages	$ 12,252,842	$ 15,809,568
Wharf, Shed, & Yard Rehabs	11,734,023	6,445,138
Reimbursable Damages	3,956,492	97,285
Storm Damages	21	139,552
Roadways	157,331	26,150
Industrial Properties	15,331	91,103
Alabo Street Terminal Improvements	-	8,493,822
Fencing	1,704	285
Security	1,310,750	2,826,438
Drainage	13,766	849,348
Dredge	21,636	42,157
Cranes	23,128,870	17,994,249
Cruise Terminal Improvements	14,101,480	10,053,852
Bridges	705,442	3,579,562
Utilities	617,074	171,357
Cold Storage	210	17,316,803
Other	2,304,000	2,099,923
Total	$ 70,320,972	$ 86,036,292

Total interest incurred by the Port was $5,520,713 and $5,122,492 for the years ended June 30, 2012 and 2011, respectively. There were no earnings on invested proceeds of the debt during the year ended June 30, 2012 and 2011, respectively The differences between interest incurred on debt for capital assets and interest earnings on invested proceeds of the debt totaled $5,520,713 and $5,122,192 for the years ended June 30, 2012 and 2011, respectively No amounts were included as part of the cost of capital assets under construction in progress for either of the years ended June 30, 2012 or 2011

As part of the Port's long-term capital construction program, commitments related to such capital construction projects were approximately $129 9 million and $176 4 million as of June 30, 2012 and 2011, respectively

NOTES TO FINANCIAL STATEMENTS

5. NON-CURRENT LIABILITIES

Long-Term Debt

Long-term debt consists of the following at June 30, 2012 and 2011.

	2012	2011
Revenue bonds payable	$ 122,255,000	$ 106,760,000
Premium and discounts	(1,209,172)	(1,299,889)
Deferred refunding loss	(724,350)	(754,407)
	120,321,478	104,705,704
Less current portion	(325,000)	(325,000)
Long-term debt noncurrent	$ 119,996,478	$ 104,380,704

On June 1, 2001, the Port issued $30,800,000 Port Facility Revenue Bonds, Series 2001 The bonds mature in the year 2021. Proceeds from such bonds were expended for the acquisition, construction and completion of certain dock and wharf improvements for the development of the Napoleon Avenue Container Terminal The bonds are limited obligations of the Port and are payable solely from and secured by a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture In addition, the Series 2001 Bonds are secured by a Financial Guaranty Insurance Policy. Interest on the bonds is payable semi-annually on April 1 and October 1. Interest rates vary from 4 25 percent to 5 63 percent. All bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture. The redemption price of some of the bonds includes a premium of 1 percent. The Port Facility Revenue Bonds, Series 2001 were refunded and replaced with Revenue Bonds, Series 2011 on May 3, 2011 (see below)

On August 1, 2002, the Port issued $31,000,000 Port Facility Revenue Bonds, Series 2002 The bonds mature in the year 2032 Proceeds from such bonds were expended for the acquisition, construction and completion of certain dock and wharf improvements for the development of the Napoleon Avenue Container Terminal The bonds are limited obligations of the Port and are payable solely from and secured by a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture. In addition, the Series 2002 Bonds are secured by a Financial Guaranty Insurance Policy Interest on the bonds is payable semi-annually on April 1 and October 1 Interest rates vary from 3 00 percent to 4 50 percent. All bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture The redemption price of some of the bonds includes a premium of 1 percent. A portion of the Port Facility Revenue Bonds Series 2002 was in the process of being refunded at June 30, 2012 (See Note 12)

NOTES TO FINANCIAL STATEMENTS

5. NON-CURRENT LIABILITIES (continued)

Long-Term Debt (continued)

On July 15, 2003, the Port issued $34,000,000 of Port Facility Revenue Bonds, Series 2003 The bonds mature in the year 2033. Proceeds from such bonds are to be used to finance certain capital improvements to the Port Complex, including but not limited to, the acquisition and construction of parking and cruise terminal facilities, and to reimburse the Board for certain capital expenditures previously made. The bonds are limited obligations of the Port and are payable solely from and secured by a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture.

In addition, the Series 2003 Bonds are secured by a Financial Guaranty Insurance Policy. Interest on the bonds is payable semi-annually on April 1 and October 1 Interest rates vary from 3.00 percent to 5.00 percent Certain of the bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture The redemption price of some of the bonds includes a premium of 1 percent.

On April 21, 2005, the Port issued $19,355,000 of Port Facility Revenue Bonds, Series 2005. The bonds mature in the year 2034. Proceeds from such bonds are to be used to finance capital improvements to the Port Complex, including but not limited to, a cruise terminal complex on the Erato Street wharf, related parking and operational facilities, and other port facilities within its jurisdiction. Interest on the bonds is payable quarterly on March 1, June 1, September 1, and December 1 The interest rate varies with the Securities Industry and Financial Markets Association (SIFMA) index. The rate as of June 30, 2012 was 0 18 percent The bonds are supported through a letter of credit agreement. The 2005 Series Revenue Bonds are subordinate to the 2008, 2003, 2002 and 2001 Series Revenue Bonds. The Port Facility Revenue Bonds, Series 2005 were refunded and replaced with Revenue Bonds, Series 2010 on September 1, 2010 (see below)

On May 29, 2008, the Port issued $13,640,000 of Port Facility Refunding Revenue Bonds, Series 2008 The bonds mature in the year 2038 Proceeds were used to refund $8,110,000, $1,340,000 and $1,775,000 of the Revenue Bonds Series 2001, 2002 and 2003, respectively The bonds are limited obligations of the Port and are payable solely from and secured by a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture. In addition, the Series 2008 Bonds are secured by a Financial Guaranty Insurance Policy. Interest on the bonds is payable semi-annually on April 1 and October 1 The interest rate is fixed at 5 13 percent. Certain of the bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture at par. The net proceeds from this issue were deposited in an irrevocable trust with an escrow agent to provide debt service payments on the refunded portions of Revenue Bonds Series 2001, 2002 and 2003 thru April 1, 2014 The advance refunding met the requirements of an in-substance defeasance and the refunded bonds were removed from the Port's financial statements The reacquisition price exceeded the net carrying amount on the bonds refunded resulting in a loss on refunding of $844,578, which is being amortized over the life of the new issue using the effective interest method This advance refunding was undertaken to reduce total debt service payments over 6 years by $9,166,309 and resulted

5. NON-CURRENT LIABILITIES (continued)

Long-Term Debt (continued)

in an economic loss of $1,257,288 For the year ended June 30, 2012, remaining principal on this defeased debt was $3,355,000.

On September 1, 2010 the Port issued $18,090,000 of Subordinate Lien Variable Rate Revenue Bonds, Series 2010. The purpose of the issue was to provide funds to refund the Board's Subordinate Lien Variable Rate Revenue Bonds, Series 2005, outstanding in the amount of $18,095,000 The interest rate on the Series 2010 bonds varies with the Securities Industry and Financial Markets Association (SIFMA) index. The rate as of June 30, 2012 was 0 18 percent. These bonds are supported with a credit enhancement letter of credit by First NBC and a support letter of credit with the Federal Home Loan Bank of Dallas, Irving, Texas. Affirmative and negative covenants are outlined on pages twenty-two through twenty-six of the Reimbursement agreement between the Port and First NBC The bond issue is subordinate to the 2011, 2008, 2003 and 2002 Series Revenue Bonds

On May 3, 2011 the Port issued $15,585,000 of Board of Commissioners of the Port of New Orleans Port Facility Refunding Revenue Bonds, Series 2011. The purpose of the issue was to provide sufficient funds to refund all of the Port's outstanding Port Facility Revenue Bonds, Series 2001 in the outstanding amount of $15,290,000 The Series 2011 bonds were purchased by Regions Bank through the placement agent, Morgan Keegan & Company, Inc. The interest rate is fixed at 4.22 percent. Covenants with Regions bank are contained in the commitment letter dated March 13, 2011 The refunding was entered into for the reason of future interest savings.

On June 27, 2012 the Port issued $15,495,000 of Board of Commissioners of the Port of New Orleans Port Facility Refunding Revenue Bonds, Series 2012. The purpose of the issue was to provide sufficient funds for a partial refund of the Port's outstanding Port Facility Revenue Bonds, Series 2002 in the outstanding amount of $14,980,000; the outstanding balance of the 2002 bonds was refunded on July 6, 2012 The Series 2012 bonds were purchased by Regions Bank through the placement agent, Morgan Keegan & Company, Inc The interest rate is fixed at 3.53 percent. Covenants with Regions bank are contained in the commitment letter dated May 31, 2012. The refunding was entered into for the reason of future interest savings.

Operating revenues are pledged as security for all revenue bond issues

5. NON-CURRENT LIABILITIES (continued)

Long-Term Debt (continued)

Debt service requirements relating to bonds outstanding are as follows:

Years Ending June 30	Principal	Interest	Total
2013	$ 325,000	$ 4,773,560	$ 5,098,560
2014	1,570,000	4,902,993	6,472,993
2015	2,845,000	4,850,692	7,695,692
2016	2,970,000	4,743,664	7,713,664
2017	3,450,000	4,631,718	8,081,718
2018 – 2022	21,595,000	21,030,641	42,625,641
2023 – 2027	33,510,000	15,634,964	49,144,964
2028 – 2032	28,455,000	8,974,004	37,429,004
2033 – 2037	24,530,000	3,038,837	27,568,837
2038	3,005,000	154,006	3,159,006
	$ 122,255,000	$ 72,735,079	$ 194,990,079

Special Community Disaster Loan Payable

The Port was approved for and made draw downs of $5,627,230 in April and May 2006 and $1,921,876 in September 2006 under the Community Disaster Loan Act (the Loan Act). Proceeds from the borrowings were used to pay current operations of the Port relating to essential services, including police and fire protection, trash collection, and other services related to protecting and promoting the health, safety and public welfare of the community The loan bore interest at the latest five-year Treasury rate at the time of the closing date of the loan, plus 1 percent. Operating revenues were pledged as security for the loans In November 2010, the principal and accumulated outstanding balance on the Special Community Disaster loan of $7,549,106 and accrued interest of $923,683 were forgiven by FEMA The total forgiveness of debt of $8,472,789 is included in the statement of revenues, expenses and changes in net assets for the year ended June 30, 2011.

NOTES TO FINANCIAL STATEMENTS

5. NON-CURRENT LIABILITIES (continued)

Debt Service Assistance Program Loan Payable

In July 2006, the Port and the State of Louisiana (the State) entered into a Cooperative Endeavor Agreement whereby the State agreed to lend up $14,365,679 from State funds on deposit in the Debt Service Assistance Fund, authorized by the Gulf Opportunity Zone Act of 2005 and Act 41 of the First Extraordinary Session of the Louisiana Legislature of 2006, to assist in payment of debt service requirements from 2006 through 2008 due to disruption of revenue streams caused by Hurricanes Katrina and Rita Loan payments in the amount of $14,365,679 were made on behalf of the Port by the State as debt service became due No principal or interest was payable during the initial five year period of the loan After the expiration of the initial five year period, the loan bears interest at a fixed rate of 4 64 percent Principal payments on the bonds begin in July 2012 and the loan will mature in July 2026 Interest is payable semi-annually on January 15 and July 15 beginning January 2012

The loan may be prepaid without penalty or premium. The Port had the right to request one extension of its obligation to begin payments under the loan not to exceed five years In October of 2011, the Port requested the extension from the State. The request was denied and the Port began interest payments on the debt in January of 2012

Debt service requirements relating to the bonds and debt service assistance loan payable are as follows:

Years Ending June 30	Principal	Interest	Total
2013	$ 683,947	$ 650,699	$ 1,334,646
2014	715,718	618,226	1,333,944
2015	748,928	584,246	1,333,174
2016	783,678	548,690	1,332,368
2017	820,041	511,484	1,331,525
2018 – 2022	4,707,513	1,936,018	6,643,531
2023 – 2027	5,905,854	709,911	6,615,764
	$ 14,365,679	$ 5,559,274	$ 19,924,953

Capital Lease

Capital lease obligations consist of the following at June 30, 2012 and 2011:

	2012	2011
Capital leases payable	$ 3,653,190	$ 3,870,786
Less current portion	(969,820)	(467,181)
Long-term portion	$ 2,683,370	$ 3,403,605

5. NON-CURRENT LIABILITIES (continued)

Capital Lease (continued)

Lease payments relating to capital leases outstanding are as follows

Years Ending June 30	Principal	Interest	Total
2013	$ 969,820	$ 108,459	$ 1,078,279
2014	1,012,475	149,253	1,161,728
2015	966,439	94,784	1,061,223
2016	704,456	41,388	745,844
	$ 3,653,190	$ 393,884	$ 4,047,074

On November 17, 2000, the Port entered into a capital lease agreement to purchase two new container cranes at an aggregate cost of $12,500,000 at 5.75 percent interest. The cranes were placed in service during the year ended June 30, 2004 At June 30, 2012 and 2011, the gross capitalized cost including capitalized interest was $11,857,545 with accumulated amortization of $2,537,783 and $2,258,038, respectively There are thirty equal semi-annual payments of $628,454 for principal and interest with the first payment due July 1, 2001. The remaining proceeds of the capital lease were applied to the outstanding principal balance of the capital lease during October, 2004. This reduced the remaining semi-annual payments to $464,075 for principal and interest with the first payment due January 1, 2005.

During the year ended June 30, 2008, the Port entered into capital lease agreements for computer equipment at an aggregate cost of $115,216 at interest rates ranging from 1.46 percent to 4.39 percent. The monthly lease payments are $3,297 for thirty-six month period ending January 1, 2011.

During the year ended June 30, 2009, the Port entered into capital lease agreements for computer equipment at an aggregate cost of $113,248 at interest rates ranging from 2 62 percent to 4 30 percent. The monthly lease payments are $3,287 for thirty-six month period ending September 1, 2011

During the year ended June 30, 2010, the Port entered into four capital lease agreements for computer equipment at an aggregate cost of $408,467 at interest rates ranging from 4 07 percent to 7.59 percent. The monthly lease payments range from $1,251 to $3,417 CSI 6 is for thirty-six month period ending April 1, 2012 CSI 8 is for forty-eight month period ending June 1, 2013 CSI 10 is for the forty-eight month period ending February 1, 2014 CSI 11 is for the sixty month period ending February 1, 2015.

5. NON-CURRENT LIABILITIES (continued)

Capital Lease (continued)

During the year ended June 30, 2011, the Port entered into capital lease agreements for an Allfax copier at an aggregate cost of $24,250 at interest rate of 4 5%. The monthly lease payments are $450 for sixty month period ending December 17, 2015

During the year ended June 30, 2012, the Port entered into capital lease agreements for CSI and IBM computers at an aggregate cost of $1,208,804 at interest rates ranging from 3 – 4 11%. The monthly lease payments for the IBM computers are $8,215 for a thirty six month period ending August 1, 2014 The monthly lease payments for the CSI computers are $7,934 for a sixty month period ending September 1, 2016

Changes in Non-Current Liabilities

Non-current liabilities activity for the years ended June 30, 2012 and 2011 are as follows

	July 1, 2011	Additions	Reductions	June 30, 2012	Due within one year
Bonds payable					
Revenue bonds	$ 106,760,000	$ 15,495,000	$ -	$ 122,255,000	$ 325,000
Bond premium and discounts	(1,299,889)	-	90,717	(1,209,172)	-
Refunding loss	(754,407)	-	30,057	(724,350)	-
Total bonds payable	104,705,704	15,495,000	120,774	120,321,478	325,000
Debt service assistance program	14,365,679	35	-	14,365,714	683,982
Capital leases payable	3,870,786	738,267	(955,863)	3,653,190	969,820
HPD pension liability	1,773,694	884,418	-	2,658,112	-
Net post employment benefit obligation	1,579,370	310,148	-	1,889,518	-
Compensated absences	1,488,199	404,186	(84,772)	1,807,613	105,000
	$ 127,783,432	$ 17,832,054	$ (919 861)	$ 144,695,625	$ 2,083,802

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. NON-CURRENT LIABILITIES (continued)

Changes in Non-Current Liabilities (continued)

	July 1, 2010	Additions	Reductions	June 30, 2011	Due within one year
Bonds payable					
Revenue bonds	$ 106,785,000	$ 33,360,000	$ (33,385,000)	$ 106,760,000	$ 325,000
Bond premium and discounts	(790,904)	(527,922)	18,937	(1,299,889)	-
Refunding loss	(784,464)	-	30,057	(754,407)	-
Total bonds payable	105,209,632	32,832,078	(33,336,006)	104,705,704	325,000
Community disaster loan payable	7,549,106	-	(7,549,106)	-	-
Accrued interest payable	872,317	51,366	(923,683)	-	-
Debt service assistance program	14,365,679	-	-	14,365,679	-
Capital leases payable	4,693,983	146,428	(969,625)	3,870,786	467,181
HPD pension liability	1,087,718	685,976	-	1,773,694	-
Net post employment benefit obligation	1,241,818	337,552	-	1,579,370	-
Compensated absences	1,511,720	118,286	(141,807)	1,488,199	105,000
	$ 136,531,973	$ 34,171,686	$ (42,920,227)	$ 127,783,432	$ 897,181

NOTES TO FINANCIAL STATEMENTS

6. RISK MANAGEMENT, CONTINGENCIES AND COMMITMENTS

The Port is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, and natural disasters for which the Port carries commercial liability and property insurance The Port is self-insured for workers' compensation and general maritime claims ("Jones Act"). The Port continues to be liable for each such claim up to $1,000,000, with judgments and settlements over the $1,000,000 limit being covered by the Port's umbrella liability policy up to $50,000,000 for each occurrence. For the years ended June 30, 2012 and 2011, the Port's expenses for workers' compensation and other liability claims were $336,036 and $275,416, respectively. There were no expenses related to police professional liability incurred during 2012 and 2011 For each of the past three years, there were no settlements that exceeded the Port's insurance coverage.

As of June 30, 2012, the Port has determined, through an analysis of historical experience, the adequacy of the liability recorded to cover all losses and claims, both incurred and reported and incurred but not reported, under its self-insurance programs. These amounts are not discounted

A summary of activity in the liability for claims, which are included in other liabilities, is as follows:

	2012	2011	2010
Balance, beginning of year	$ 1,124,592	$ 1,344,248	$ 3,442,500
Provision for claims	336,036	275,416	1,431,423
Benefit payments, net of recoveries	(276,224)	(495,072)	(3,529,675)
Balance, end of year	$ 1,184,404	$ 1,124,592	$ 1,344,248

The Port is a party to various legal proceedings incidental to its business There are several lawsuits pending in which the Board is named as a defendant by longshoremen claiming asbestosis-related injuries because the Board at one time had asbestos materials cross its wharves Certain other claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the Port. The resolution of these matters is not expected to have a material adverse effect on the financial statements of the Port

The Port is also a party to various legal proceedings related to Hurricane Katrina. Six cases remain based on alleged Board liability arising from the flooding that occurred after Katrina. Five have been inactive for several years and are in effect all but abandoned The Board has been dismissed from one other case that is proceeding without it, but the plaintiff's right to appeal the dismissal will remain until the entire case is litigated. Outside counsel appointed by the Board's general liability underwriters continue to monitor all cases.

6. RISK MANAGEMENT, CONTINGENCIES AND COMMITMENTS (continued)

The Port receives financial assistance directly from Federal agencies which are subject to audit and final acceptance by these agencies In the opinion of management, amounts that might be subject to disallowance upon final audit, if any, would not have a material effect on the Port's financial position

7. REVENUES AND LEASES

Revenues of the Port are reported net of estimated uncollectible amounts Total estimated uncollectible amounts related to accounts receivable were $965,622 and $1,089,418 at June 30, 2012 and 2011, respectively The Port leases to others substantially all of its land, property and equipment under various operating lease agreements For the year ended June 30, 2012, two lessees accounted for 20% and 17% of operating revenues, respectively. For the year ended June 30, 2011, two lessees accounted for 21% and 12% of operating revenues, respectively. Operating lease rental income was $22,505,298 and $22,444,639 during the years ended June 30, 2012 and 2011, respectively

As of June 30, 2012, future minimum rental payments to be received under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows

2013	$	21,459,632
2014		16,245,350
2015		14,001,897
2016		13,423,085
2017		12,959,172
Thereafter		49,811,063
Total future minimum lease payments	$	127,900,199

NOTES TO FINANCIAL STATEMENTS

8. RETIREMENT PLANS

Substantially all of the Port's employees are required by State law to participate in retirement plans administered by the Louisiana State Employees' Retirement System ("LASERS") or the Harbor Police Employees' Retirement System ("HPERS"). LASERS and HPERS are both single employer defined benefit plans

Disclosures relating to these plans are as follows

A. LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

The plan provides for a retirement option designated as the Deferred Retirement Option Plan (DROP). This option permits LASERS members to continue working at their state jobs for up to three years while in a retired status. DROP allows these retirees to accumulate retirement benefits in a special account for later distribution.

Funding policy - The LASERS is a defined benefit contributory pension plan to which employees contributed 7 5% of their salaries if hired prior to July 1, 2006 and 8 0% if hired after July 1, 2006. For the years ended June 30, 2012 and 2011, the Port contributed 25 6% and 22 0% of the employees' salaries toward future benefits respectively. Provisions for employer and employee contributions are in LRS 42 651; 712, 712 1, 712.3

Ten-year historical trend information showing the LASERS's progress in accumulating sufficient assets to pay benefits when due is presented in the LASERS's June 30, 2011 audited financial reports The LASERS issues a publicly available financial report that includes financial statements and required supplementary information That report may be obtained by writing to the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, LA 70804-4213

Total contributions for the years ended June 30, 2012, 2011 and 2010 were $3,431,724, $2,977,989 and $2,560,221, respectively. These amounts are equal to the required contributions for each of these three years. Contributions for the year ended June 30, 2012 consisted of employee contributions of $785,411 and employer contributions of $2,646,314 Contributions for the year ended June 30, 2011 consisted of employee contributions of $762,749 and employer contributions of $2,215,240.

B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM

Plan Description - All commissioned members and certain employees of the Harbor Police Department of the Port who are under the age of 50 on the date of employment are eligible to participate in the HPERS, established within Title 11 Chapter 3 of the Louisiana Revised Statutes, a single employer defined benefit pension plan administered by an eight member Board of Trustees.

8. RETIREMENT PLANS (continued)

B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM (continued)

The Port's total payroll for the years ended June 30, 2012 and 2011 was $16,318,234 and $15,605,302, respectively, of which $1,618,946 and $1,490,146, in covered payroll, respectively, related to participants in the HPERS.

Member benefits are equal to 3 1/3% of average final compensation, as defined, multiplied by creditable service years, not to exceed 100% of final salary. However, if a person retires before age 50, the benefit is 2 1/2% of average final compensation, as defined, multiplied by creditable service years, not to exceed 85% of final salary. Members are eligible to retire if hired before July 1, 2006 at any age with 30 years of service, at age 60 with 10 years of service and at age 45 with 20 years of service If members are hired after July 1, 2006, members are eligible to retire at age 60 with 5 years of service or more The HPERS also provides benefits for surviving spouses and disabled members If a member resigns from the Police Department before retirement, accumulated employee contributions are refunded to the employee without interest Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Board of Trustees subject to certain constraints

The plan provides for a retirement option designated as the Deferred Retirement Option Plan (DROP). This option permits HPERS members to continue working at their jobs for up to five years while in a retired status DROP allows these retirees to accumulate retirement benefits in a special account for later distribution.

The HPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Harbor Police Retirement System, Post Office Box 60046, New Orleans, LA 70160.

Funding Policy - Employees are required to contribute 9 0% of their covered payroll to the HPERS. The Port is required to make contributions to the HPERS at actuarially determined rates expressed as a percentage of members' covered payroll, not to exceed 20 0%. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial method until assets exceed accrued actuarial liabilities, at which point the aggregate actuarial cost method is used The Port funded (including fines) 12.99% and 12.84% of the members' covered payroll for fiscal years ended June 30, 2012 and 2011, respectively

NOTES TO FINANCIAL STATEMENTS

8. RETIREMENT PLANS (continued)

B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM (continued)

Annual Pension Cost and Net Pension Obligation - The Port's annual pension cost and net pension obligation to HPERS are as follows

	2012	2011
Annual required contribution	$ 1,340,003	$ 982,530
Interest on net pension obligation	124,159	76,140
Adjustment to annual required contribution	(234,418)	(144,078)
Annual pension cost	1,229,744	914,592
Contributions made	(345,326)	(228,616)
Increase in net pension obligation	884,418	685,976
Net pension obligation, beginning of year	1,773,694	1,087,718
Net pension obligation, end of year	$ 2,658,112	$ 1,773,694

The annual required contributions for 2012 and 2011 were determined based on actuarial valuations using the aggregate actuarial cost method. Because the method does not identify or separately amortize unfunded actuarial liabilities, information about the funded status is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status of the Plan The actuarial assumptions included (a) the determination of life expectancy based on the 1971 Group Annuity Mortality Table, (b) the determination of participant retirements based on an expected retirement age of 63 years, (c) an assumed average rate of return on investment of 7 0%, and (d) projected salary increases of 5 0% per year (2.5% increase for inflation and 2 5% increase for seniority and merit raises)

The assumptions did not include postretirement benefit increases The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period

Three-Year Trend Information

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Benefit)
2010	$ 659,040	33 0	$ 1,087,719
2011	$ 914,592	25.0	$ 1,773,694
2012	$ 1,229,744	28 0	$ 2,658,112

8. RETIREMENT PLANS (continued)

B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM (continued)

As of June 30, 2012, the most recent actuarial valuation date, the plan was 64 4% funded. The actuarial accrued liability for benefits was $17 0 million, and the actuarial value of assets was $11 1 million, resulting in an unfunded actuarial accrued liability (UAAL) of $5.9 million.

The covered payroll (annual payroll of active employees covered by the plan) was $1 5 million, and the ratio of the UAAL to the covered payroll was 280.0%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents current year information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits Multiyear trend information will be presented in future years.

The following is a summary of the statement of plan net assets available for benefits as of June 30, 2012 and 2011 and changes in net assets for the years then ended

Statement of Plan Net Assets	2012	2011
Investments at fair value	$ 9,262,969	$ 10,701,893
Cash equivalents – LAMP	476,505	276,472
Contributions receivable	51,086	45,151
Liabilities	(17,713)	(12,972)
Net assets available for benefits	$ 9,772,847	$ 11,010,544

NOTES TO FINANCIAL STATEMENTS

8. RETIREMENT PLANS (continued)

B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM (continued)

Statement of Changes in Net Assets	2012	2011
Additions (Reductions).		
Contributions	$ 496,142	$ 347,173
Investment income including		
Unrealized gains (losses)	(545,302)	2,065,926
Total additions (reductions)	(49,160)	2,413,099
Deductions		
Benefits paid	883,352	887,713
DROP Benefit payments	158,896	251,950
Refunds and transfers of contributions	2,480	-
Administrative expenses	143,809	126,763
Total deductions	1,188,537	1,266,426
Increase (decrease) in plan net assets	(1,237,697)	1,146,673
Net assets available for benefits:		
Beginning of year	11,010,544	9,863,871
End of year	$ 9,772,847	$ 11,010,544

NOTES TO FINANCIAL STATEMENTS

9. OTHER POST-EMPLOYMENT BENEFITS

Plan Description - The Port of New Orleans medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement.

The employees are covered by a retirement system whose retirement eligibility (D.R.O P entry) provisions are as follows: 30 years of service at any age, age 55 and 25 years of service, or, age 60 and 10 years of service. For employees hired on or after July 2, 2006, the retirement eligibility is age 60 and 10 years of service. Complete plan provisions are in the official plan documents

Contribution Rates - Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits The plan provisions and contribution rates are contained in the official plan documents.

Fund Policy - Until Fiscal Year Ending June 30, 2008, the Port of New Orleans recognized the cost of providing post-employment medical and life benefits (the Port of New Orleans's portion of the retiree medical and life benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2012 and 2011, the Port's portion of health care and life insurance funding cost for retired employees totaled $965,896 and $894,348, respectively.

Effective with the Fiscal Year beginning July 1, 2008, the Port of New Orleans implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB 45). This amount was applied toward the Net OPEB Benefit Obligation as shown in the following table.

Annual Required Contribution - The Port of New Orleans's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45 The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The total ARC is as follows:

NOTES TO FINANCIAL STATEMENTS

9. OTHER POST-EMPLOYMENT BENEFITS (continued)

	2012	2011
Normal Cost	$ 339,345	$ 326,293
30-year UAL amortization amount	964,859	927,749
Annual required contribution (ARC)	$ 1,304,204	$ 1,254,042

Net Post-employment Benefit Obligation (Asset) - The table below shows Port of New Orleans' Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending June 30

	2012	2011
Beginning Net OPEB Obligation	$ 1,579,370	$ 1,241,818
Annual required contribution	1,304,204	1,254,042
Interest on Net OPEB Obligation	63,174	49,672
ARC Adjustment	(91,335)	(71,814)
OPEB Cost	1,276,043	1,231,900
Contribution	-	-
Current year retiree premium	(965,895)	(894,348)
Change in Net OPEB Obligation	310,148	337,552
Ending Net OPEB Obligation	$ 1,889,518	$ 1,579,370

The following table shows the Port of New Orleans' annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability as June 30, 2012 and 2011·

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Liability
2012	$ 1,276,043	75 69%	$ 1,889,518
2011	$ 1,231,900	72.60%	$ 1,579,370

Funded Status and Funding Progress. In the fiscal years ending June 30, 2012 and 2011, the Port of New Orleans made no contributions to its post employment benefits plan The plan is not funded, has no assets, and hence has a funded ratio of zero Based on July 1, 2010 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year June 30, 2012 was $16,684,601, which is defined as that portion, as determined by a particular actuarial cost method (the Port of New Orleans uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost.

9. OTHER POST-EMPLOYMENT BENEFITS (continued)

	2012	2011
Actuarial Accrued Liability (AAL)	$ 16,684,601	$ 16,042,886
Actuarial Value of Plan Assets	-	-
Unfunded Act. Accrued Liability (UAAL)	$ 16,684,601	$ 16,042,886
Funded Ratio (Act. Val Assets/AAL)	-	-
Covered Payroll (active plan members)	$ 13,627,640	$ 13,100,142
UAAL as a percentage of covered payroll	122 43%	122 46%

Actuarial Methods and Assumptions. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate, (2) retirement rate; (3) health care cost trend rate, (4) mortality rate, (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the Port of New Orleans and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the Port of New Orleans and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Port of New Orleans and plan members in the future Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method. The ARC is determined using the Projected Unit Credit Cost Method The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial Value of Plan Assets. Since the OPEB obligation has not as yet been funded, there are not any plan assets It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board Actuarial Standards of Practice Number 6 (ASOP 6), as provided in paragraph number 125 of GASB Statement 45.

9. OTHER POST-EMPLOYMENT BENEFITS (continued)

Turnover Rate. An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 10 0% The rates for each age are below

Age	Percent Turnover
18 - 25	20 0%
26 - 40	15.0%
41 - 54	9 0%
55+	7.0%

Post employment Benefit Plan Eligibility Requirements It has been assumed that entitlement to benefits will commence upon actual retirement which, in turn, has been assumed to be four years after the initial retirement (D R.O P entry) eligibility described in the section above entitled "Plan Description" These four years comprises three years in the D R.O P plus one additional year Medical benefits are provided to employees upon actual retirement. The employees are covered by a retirement system whose retirement eligibility (D R.O.P. entry) provisions are as follows 30 years of service at any age; age 55 and 25 years of service, or, age 60 and 10 years of service For employees hired on or after July 2, 2006, the retirement eligibility is age 60 and 10 years of service. Entitlement to benefits continue through Medicare to death.

Investment Return Assumption (Discount Rate). GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Since the ARC is not currently being funded and not expected to be funded in the near future, a 4 0% annual investment return assumption has been used in this valuation.

Health Care Cost Trend Rate. The expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare & Medicaid Services as published in National Health Care Expenditures Projections 2003 to 2013, Table 3 National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January, 2004 by the Health Care Financing Administration (www cms.hhs gov) "State and Local" rates for 2008 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5 0% for 2016 and later

Mortality Rate. The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used This is a published mortality table which was designed to be used in determining the value of accrued benefits in defined benefit pension plans.

9. OTHER POST-EMPLOYMENT BENEFITS (continued)

Method of Determining Value of Benefits. The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays 80% of the "base premium" (that is, not including the "buy up" additional portion) of the medical benefits for the retirees and dependents prior to Medicare eligibility at age 65. The medical rates provided applicable before Medicare eligibility at age 65 are "blended" rates for active and retired. Since GASB 45 mandates that "unblended" rates be used, we have estimated the "unblended" medical rates for retired before Medicare eligibility to be 130% of the blended rate. After Medicare eligibility, the employer pays 60% of the applicable premium for either the Hartford Senior Care Plan or the Humana HMO Medicare Advantage Plan. It has been assumed that the same percentage will prevail in the future and that 40% of currently active employees and those currently retired who are before age 65 will elect the Medicare Advantage Plan The Port of New Orleans has adopted a provision limiting the employer portion of the premium paid to 200% of the prevailing employer portion of the premium paid under the 2008 premium scale

Inflation rate. Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2 5% annually

Projected salary increases. This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

Post-retirement Benefit Increases. The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future

Below is a summary of OPEB cost and contributions for the last three fiscal years

	2012	2011	2010
OPEB Cost	$ 1,276,043	$ 1,231,900	$ 1,367,216
Contribution	-	-	-
Retiree premium	965,895	894,348	725,156
	965,895	894,348	725,156
Change in net OPEB obligation	$ 310,148	$ 337,552	$ 642,060
% of contribution to cost	0 00%	0 00%	0 00%
% of contribution plus premium to cost	75 69%	72 60%	53 04%

10. CONDUIT DEBT

From time to time, the Port has issued Industrial Revenue Bonds to provide assistance for private-sector entities for Port related projects that are deemed to be in the public interest. The Port is not obligated for repayment of the bonds Accordingly, the bonds are not reported in the accompanying financial statements

Industrial revenue bonds in the amount of $35,600,000 were issued by the Port on July 1, 1981, for the account of Avondale Shipyards, Inc (a wholly-owned subsidiary of Ogden Management Corporation) for the purpose of financing a floating dry dock and support facilities to be moored within the jurisdiction of the Port as part of the public port Industrial revenue bonds in the amount of $36,250,000 were issued on June 1, 1983, to provide funds for the purpose of refunding the bonds issued on July 1, 1981. Industrial revenue bonds in the amount of $36,250,000 were issued on April 1, 1994, to provide funds for the purpose of refunding the bonds issued on June 1, 1983, and will mature in 2014 The bonds are limited obligations of the Port, payable solely from and secured by a pledge of the revenues to be received pursuant to an Installment Sales Agreement and by an unconditional guarantee by Ogden Management Corporation. The aggregate amount outstanding at June 30, 2012 is not readily determinable by the Port.

Port facility revenue bonds in the amount of $3,700,000 were issued on June 8, 2000 for the account of New Orleans Steamboat Company for the purpose of constructing a facility within the jurisdiction of the Port as part of the public port. At June 30, 2012, $3,700,000 is outstanding The bonds are limited obligations of the Port, secured by a letter of credit issued by First Bank and Trust in New Orleans and a confirming letter of credit of the Federal Home Loan Bank in New Orleans for the account of New Orleans Steamboat Company

Port facility revenue bonds in the amount of $7,500,000 were issued on November 1, 2002 for the account of New Orleans Cold Storage and Warehouse Company Limited (NOCS) for the purpose of constructing a cold storage facility At June 30, 2012, $7,500,000 is outstanding The bonds are limited obligations of the Port, secured by a letter of credit issued by the Whitney National Bank in New Orleans for the account of NOCS.

In March 2005, the Port entered into a cooperative endeavor agreement with the Louisiana Department of Economic Development (DED) and CG Railway, Inc to provide a portion of the financing for an approximately $43,500,000 rail car cargo facility. Under the agreement, the DED provided $15,000,000 of the project costs through the issue of special project revenue bonds Special Project Revenue Bonds in the amount of $16,670,000 were issued on May 24, 2005 for this purpose At June 30, 2012, $7,555,000 is outstanding The bonds are limited obligations of the Port, payable solely from and secured by the State of Louisiana

10. CONDUIT DEBT (continued)

The above agreement was amended in April 2006 as a result of the discontinuance of the dredging of siltation in and around the Mississippi River Gulf Outlet following Hurricane Katrina, which rendered many of the obligations under the agreement impossible and required that any items not needed by the Port for maritime commerce be sold and the proceeds turned over to the State of Louisiana to help defray the costs of the project. In September 2006, the Port sold some of the items declared as surplus to the Port's needs for maritime commerce to CG Railway, Inc for $2,500,000 This amount was submitted to the DED

11. NATURAL DISASTER

On August 29, 2005, the New Orleans region suffered significant damage to property and lives when Hurricane Katrina struck the Gulf Coast area. The Port of New Orleans did not suffer the devastation that other public entities realized in the area, but did sustain damage to facilities and loss of revenue The Port facilities along the river suffered moderate damage Facilities along the Industrial Canal suffered severe damage. The Port had insurance in place to cover most of the property damage and business interruption insurance to offset some of the revenue loss

Costs of cleanup, repairs, litigation and other expenses amounted to $83,996,000 As of June 30, 2011, the Port had received $135,590,000 of insurance proceeds The Port has reported cumulative business interruption insurance proceeds of $12,465,338 recorded during the year ended June 30, 2010. The Port submitted a total claim in excess of $180 million, including approximately $18 million business interruption insurance During 2012 the Port received $564,843 in additional insurance proceeds related to the damages sustained during Hurricane Katrina. There was a net loss for the year of $867,406. No additional insurance proceeds are expected.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 3, 2012, and determined the following subsequent events require disclosure

On August 29, 2012, Hurricane Isaac caused minimal disruption to the Port's operations resulting in the loss of dockage revenue Property damage is being assessed.

On August 16, 2012, The Board of Commissioners Port of New Orleans signed a grant agreement with the U S. Department of Transportation, Maritime Division for Mississippi River Intermodal and Yard Improvements under MARAD FY 2011 TIGER Grant Number - DTMA1G12003 in the amount of $16,738,246.

On July 6, 2012, the Port Facility Revenue Bonds, Series 2002 were partially refunded in the amount of $14,980,000 with the proceeds from the Port Facility Refunding Revenue Bonds, Series 2012.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

REQUIRED SUPPLEMENTARY INFORMATION

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/2012	11,108,029	17,046,368	5,938,339	65 16%	1,618,944	366 8%
06/30/2011	12,182,061	16,461,720	4,279,659	74.00%	1,490,146	287.2%
06/30/2010	12,824,215	16,083,647	3,259,432	79 73%	1,678,247	194 2%
06/30/2009	12,824,215	16,083,647	3,259,432	79 73%	1,579,359	206.4%
06/30/2008	13,232,258	14,824,016	1,591,758	89.26%	1,455,889	109.3%

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

REQUIRED SUPPLEMENTARY INFORMATION

POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

SCHEDULE OF FUNDING PROGRESS

RETIREE HEALTH AND LIFE INSURANCE BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/2012	-	16,684,601	16,684,601	0 00%	13,627,640	122.4%
06/30/2011	-	16,042,886	16,042,886	0 00%	13,100,142	122 5%
06/30/2010	-	18,349,641	18,349,641	0 00%	13,127,850	139 8%
06/30/2009	-	16,965,275	16,965,275	0.00%	13,277,840	127.8%

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS

SINGLE AUDIT REPORTS

JUNE 30, 2012

P&N Postlethwaite & Netterville
A Professional Accounting Corporation
www pncpa com

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

TABLE OF CONTENTS
JUNE 30, 2012

P&N Postlethwaite & Netterville
A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
www pncpa com

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Commissioners of the
Port of New Orleans:

We have audited the financial statements of the Board of Commissioners of the Port of New Orleans (the Port) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 3, 2012 We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States

Internal Control Over Financial Reporting

Management of the Port is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Port's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control over financial reporting Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis A *material weakness* is a deficiency is a control deficiency, or combination of deficiencies, in internal control such there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above

30th Floor - Energy Centre • 1100 Poydras Street • New Orleans, LA 70163-3000 • Tel 504 569 2978
One Galleria Blvd, Suite 2100 • Metairie, LA 70001 • Tel 504 837 5990 • Fax 504 834 3609

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*

This report is intended solely for the information and use of the Board of Commissioners, management, and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties However, under Louisiana Revised Statute 24.513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

Metairie, Louisiana
October 3, 2012

P&N

P&N Postlethwaite & Netterville
A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
www pncpa com

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Board of Commissioners of the
Port of New Orleans.

Compliance

We have audited the compliance of the Board of Commissioners of the Port of New Orleans (the Port) with the types of compliance requirements described in the U S Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2012. The Port's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Port's management. Our responsibility is to express an opinion on the Port's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about the Port's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Port's compliance with those requirements.

In our opinion, the Port complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2012

Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Port's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over compliance.

30th Floor - Energy Centre • 1100 Poydras Street • New Orleans, LA 70163-3000 • Tel 504 569 2978
One Galleria Blvd, Suite 2100 • Metairie, LA 70001 • Tel 504 837 5990 • Fax 504 834 3609

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses in internal control over compliance We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Port as of and for the year ended June 30, 2012, and have issued our report thereon dated October 3, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Port's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs We did not audit the Port's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Board of Commissioners, management, and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties However, under Louisiana Revised Statute 24 513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

Metairie, Louisiana
October 3, 2012

P&N

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Program Title	CFDA No	Federal Expenditures (1)
United States Department of Housing and Urban Development		
Passed through the State of Louisiana Office of Community Development		
Community Development Block Grants		
Riverfront Cold Storage Facility Project	14.228	$ 11,917,558
Total United States Department of Housing and Urban Development		11,917,558
United States Department of Homeland Security -		
Passed through the State of Louisiana Office of Homeland Security and Emergency Preparedness		
Disaster Grants - Public Assistance	97 036	28,057,078
Passed through the State of Louisiana Office of Homeland Security and Emergency Preparedness		
Hazard Mitigation Grant	97 039	61,444
Passed through the Office of State and Local Government Coordination and Preparedness		
Port Security Grant Program		
2006 Port Security Grant	97 056	2,051,361
Total United States Department of Homeland Security		30,169,883
Total Federal Assistance Expended		$ 42,087,441

FOOTNOTES

(1) Basis of Presentation

This schedule includes the federal grant activity of the Port of New Orleans and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements on OMB Circular A-133, *Audits of States, Local Governments, and Non- Profit Organizations*

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SECTION I–SUMMARY OF AUDIT RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued.	Unqualified
Internal control over financial reporting	
Material weaknesses identified?	____Yes __X__No
Significant deficiencies identified that are not considered to be material weaknesses?	____Yes __X__No
Noncompliance material to financial statements notes?	____Yes __X__No

FEDERAL AWARDS

Internal control over major programs	
Material weaknesses identified?	____Yes __X__No
Significant deficiencies identified that are not considered to be material weaknesses?	____Yes __X__None
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	____Yes __X__No

Identification of major programs

United States Department of Homeland Security, Federal Emergency Management Agency – Public Assistance Grants - passed through the State of Louisiana (CFDA number 97 036)

Dollar threshold used to distinguish between types A and B programs	$1,262,623
Audit qualified as low-risk auditee	__X__Yes ____No

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SECTION II-FINANCIAL STATEMENT FINDINGS

None

SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV-STATUS OF PRIOR YEAR FINDINGS

Information Technology Change Management
Reference Number 2011-1

Recommendation

The Port should formalize and document information technology policies and procedures, including the following.

- The Port should consider the development of a formal change management process which provides standard procedures for all system modifications including updates and patches to critical servers.
- The Port should establish a policy in which all users and their access rights are reviewed by management. Evidence of the review should be maintained.

Current Status

Substantially resolved. Formal policies and procedures have been put in place during the current year, however they have not been fully implemented